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The Jacobs Report

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GRANHOLM READY TO TACKLE DEFICIT

Governor Jennifer Granholm finished up the last of her budget forums Thursday evening in Lansing. Previous forums were held in Alpena, Traverse City, Marquette, Flint, Mount Clemens, Detroit and Grand Rapids. At the conclusion of her tour, Ms. Granholm said that she has all the information she was seeking to start crafting her executive order budget-cutting proposal. Both she and legislative leaders have said everything is on the table as far as potential cuts or sources of revenue to clear up the current \$920 million budget deficit.

"Clearly we will be presenting an executive order that represents what people have decided they would like to prioritize," Ms. Granholm said.

At each forum, the governor explained that Michigan's budget is plagued with a structural deficit. "That means while the state was busy cutting taxes in the 1990s when the economy was good, it never decreased state spending. The state has been overspending by about \$800 million from 2000 to 2003, using the once-fat rainy day fund to patch the holes in the budget. Now, the rainy day fund is tapped out, and we have no other choice than to cut spending."

Forum attendees offered various suggestions for cuts, as well as pleas for maintaining other disbursements. Notably, two Republican priorities, laptop computers for sixth-graders and the Michigan Merit Award, were not top considerations for the public. Cumulative survey results from the forums showed that 58 percent would cut the \$22 million for the laptops and 60 percent would shift the \$130 million away from the Merit awards.

Republican leaders expressed anger at those findings, arguing that all of the priorities from the last round of budget cuts should have been included in the survey questions, noting that the \$50 million bail-out of the Detroit Medical Center (DMC) was missing.

"The governor got her \$50 million [for the DMC] and now it looks like she wants to whack the laptops and Merit," said Sen. Shirley Johnson (R-Royal Oak). "If my priorities are on the table, her priorities should be on the table."

After the forum, Ms. Granholm explained that the \$50 million for DMC is indeed on the table, but she said she tried to stay away from anything that would indicate money going to a particular region of the state. Money sent to Grand Valley State and Western Michigan universities for particular projects could also have been offered as proposed cuts.

"I didn't want to put anything that was geographically-based," she said. "I didn't want to pit one side of the state against the other."

Additionally, forum trends indicated little support for proposing cuts to health care. "[Health care issues] are priorities that we hold near and dear for us Democrats," Ms. Granholm said.

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She also noted that only \$15 million of the \$50 million DMC money came from state funds. The balance was federal and local money.

One consistent theme across the forums was support for freezing the income tax cut schedule for January 1. At none of the forums did preserving the income tax cut, to 3.9 percent from 4 percent, draw much support.

"People don't believe a pause is an income tax increase," Ms. Granholm said, noting that the .1 percent cut saves the average taxpayer only \$29 a year.

Lansing Township Treasurer Kathy Rodgers suggested that the income tax rate should be increased to as much as 4.1 percent to fill the budget hole. "Then everybody shares," she explained.

Ann Marston of the Michigan League for Human Services wondered, "How long can we cut and still have Michigan be a desirable place to live?"

But Ingham County Commissioner John Nevin, a Republican and former speechwriter for ex-Governor John Engler, argued for more cuts. "You want to continue to send a message about cutting taxes," he said.

Jackson Mayor Martin Griffin is one of many local officials willing to take more cuts, even if it stings. "It's better to be part of the solution than part of the problem," he said. "Everyone's standing here saying, 'Don't gore my ox.' Jackson has very small reserves, but we want to do our part."

Ms. Granholm acknowledged the concerns about local governments and also about school districts running out of money because of the proposed cuts. "If school districts are broke, it's the state that has to step in and take care of it anyway," she said.

An impending \$350 million cut in School Aid Funding could mean each district would see a per pupil funding reduction of \$196. The Michigan Education Association would prefer that some of that cut be mitigated or absorbed by districts that hold large cash reserves. Combined, better-financed school districts are sitting on some \$1.8 billion in reserves.

Overall Ms. Granholm said the forums were worthwhile. "It's been a very long, but fulfilling, two weeks," she said.

Even Sen. Johnson, one of the governor's staunchest critics, was supportive of the format. Originally, she had been against the forums, but after attending, she said that she had been won over. "And I'm the last person who would want to say it was very good," she quipped.

THERE WILL BE NO JACOBS REPORT NEXT WEEK. LOOK FOR THE PRE-THANKSGIVING ISSUE ON WEDNESDAY, NOVEMBER 26.

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

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